

## 511 - MEDICAL SELF-INSURANCE FUND

### BUDGET OVERVIEW

(\$ In Millions)					
	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$15.5	\$17.4	\$17.4	\$0.0	0.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council adopted the Medical Self-Insurance Fund budget as proposed.

### COST DRIVERS

- Red-Med and Group Health medical claim costs, which represent the majority of fund expenditures are up \$1.6 million, reflecting increases in medical costs and higher usage as estimated by City's actuary.
- Excess liability insurance and the incurred but not reported reserve (IBNR), which is based on 15% of Red-Med claims, have also been increased to reflect higher claims.

### SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET

N/A

## 511 - MEDICAL SELF INSURANCE FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>MEDICAL SELF INSURANCE</b>		<b>\$15,529,182</b>	<b>\$17,376,203</b>	
Maintain adequate reserves.	Fund balance and Incurred But Not Reported (IBNR) reserves to ensure short-term continuity of program in the event of default.	\$2,371,625	\$2,480,837	Core service
Maintain reserve for LEOFF 1 medical claim costs in the Operating Reserves Fund.	The City has a state mandated obligation to pay medical costs for LEOFF 1 employees until death. The City has 25 retirees and 7 active LEOFF 1 employees. The reserves for this group is estimated to increase to \$581,000 in 2007-08.	\$140,000	\$140,000	Core service
Medical claim payments	Payment of medical claim costs for dental, vision, prescription medicine and physician services under the RedMed and Group Health benefit programs.	\$12,027,183	13,644,964	Core service
Excess Insurance	Insurance to cover large claim costs that exceed annual limit of \$120,000.	\$458,719	\$574,854	Core service
Program Administration	To provide third-party administration of program.	\$398,246	\$403,564	Core service
Program Evaluation	To provide independent analysis of program needs including insurance brokerage services, actuary.	\$31,364	\$33,274	Core service
State risk management review	Payment to the State of Washington for mandated annual review of City's medical self-insurance program.	\$3,136	\$3,327	Core service

**511 - MEDICAL SELF INSURANCE FUND (cont.)**

<b>WHAT DO WE DO?</b>	<b>WHY DO WE DO IT?</b>	<b>HOW MUCH DOES IT COST?</b>		<b>IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?</b>
		<b>2005-2006</b>	<b>2007-2008</b>	
<b>MEDICAL SELF INSURANCE (cont.)</b>				
Employee Assistance Program	Support employees by providing a confidential service where employees can discuss personal and professional life challenges.	\$31,364	\$33,274	Value Added
Administer the City's wellness program (≈ \$18,000 per year).	To provide City employees with incentives and options to practice a healthful lifestyle.	\$37,636	\$39,927	Value added service
Publication of newsletters to employees on health-related matters.	To share with employees healthy lifestyles and workplace habits.	\$29,909	\$22,182	Value added
<b>TOTAL MEDICAL SELF INSURANCE</b>		<b>\$15,529,182</b>	<b>\$17,376,203</b>	

## 511 - MEDICAL SELF-INSURANCE FUND

### REVENUE SUMMARY BY OBJECT

<b>MEDICAL SELF-INSURANCE</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning Fund Balance	\$1,257,593	\$1,282,372	\$24,779	2.0%	1.0%
IBNR Reserve	\$646,298	\$826,800	\$180,502	27.9%	14.0%
InterFund Insurance Premiums	\$12,116,769	\$13,524,013	\$1,407,244	11.6%	5.8%
Employee Contributions	\$1,408,522	\$1,332,175	(\$76,347)	-5.4%	-2.7%
Cobra Premiums	\$60,000	\$370,843	\$310,843	518.1%	259.0%
Investment Interest	\$40,000	\$40,000	\$0	0.0%	0.0%
<b>Grand Total</b>	<b>\$15,529,182</b>	<b>\$17,376,203</b>	<b>\$1,847,021</b>	<b>11.9%</b>	<b>5.9%</b>

### EXPENDITURE SUMMARY BY OBJECT

<b>MEDICAL SELF-INSURANCE</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Red-Med Medical Claims	\$10,768,143	\$12,039,355	\$1,271,212	11.8%	5.9%
Group Health Premiums	\$1,259,040	\$1,591,209	\$332,169	26.4%	13.2%
Excess Liability Insurance	\$458,719	\$574,854	\$116,135	25.3%	12.7%
Professional Services	\$464,110	\$473,439	\$9,329	2.0%	1.0%
Wellness Administration	\$37,636	\$39,927	\$2,291	6.1%	3.0%
Comm./Other Operating exps	\$20,909	\$22,182	\$1,273	6.1%	3.0%
Health Premium Waivers	\$9,000	\$14,400	\$5,400	60.0%	30.0%
Interfund Subsidies	\$140,000	\$140,000	\$0	0.0%	0.0%
Ending Fund Balance	\$2,371,625	\$2,480,837	\$109,212	4.6%	2.3%
<b>Grand Total</b>	<b>\$15,529,182</b>	<b>\$17,376,203</b>	<b>\$1,847,021</b>	<b>11.9%</b>	<b>5.9%</b>